

RSG Europe Service Centre Limited

**(previously known as Lodestar
Marine Limited)**

Annual report and financial
statements for the year ended
31 December 2018

Registered number 07681817



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Company information

Directors

CEM Dymoke
JET Hearn
PJ McKenna
JGM Verhagen

Registered office

62 Cornhill
1st Floor
London
EC3V 3NH

Bankers

Barclays
1 Churchill Palace
London
E14 5HP

Auditor

PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London
E14 4HD

Company Number

07681817
Registered in England and Wales

Strategic Report

The directors present their strategic report on RSG Europe Service Centre Limited (previously Lodestar Marine Limited) for the year ended 31 December 2018.

Context

RSG Europe Service Centre Limited, (the “Company” or “RSGESCL”) manages insurance underwriting of P&I fixed premium for several London market insurers. The Company is a direct subsidiary of Ryan Specialty Group Europe Limited (“RSGEL”) and together with RSGEL’s subsidiary undertakings are herein referred to as the “UK Group”.

The Company’s ultimate parent company is Ryan Specialty Group, LLC, USA (“RSG”), which is a Delaware limited liability company.

The annual report and financial statements present the results for the year ended 31 December 2018.

Review of the business

Overview of strategy and objectives

The principal activity of the Company is that of a Managing General Agent (“MGA”). The Company has authorisation from the Financial Conduct Authority (“FCA”) to act as an intermediary.

The UK Group aims to capitalize on a growing specialty underwriting market in the UK and move into areas where it sees an under-served market that is poised for growth. Its goals are to recruit the right talent and platforms to deliver the right offerings to its clients.

Effective 1 January 2019 the Company has added to its activities to become a service company for the RSG group of companies and to provide run-off services to its markets.

The Company’s marine underwriting capability will be made available to the insurance market via its UK Group company RSG Underwriting Managers Europe Limited (“RSGUME”).

Financial performance and key performance indicators

The Company delivered turnover of £1.6m for the year ended 31 December 2018 (2017: £2.1m) which translated into the Company making operating loss for the year of £1.4m (2017: £0.2m). The net interest payable and similar charges in the year were £0.2m (2017: £0.5m) and the tax charge was £nil (2017: £7k). As a result the Company’s loss for the financial year was £0.5m (2017: £0.7m).

The key financial and other performance indicators during the year were as follows:

	2018	2017
	£000	£000
Turnover	1,594	2,102
Operating loss before interest, taxes, depreciation and amortisation	(291)	(181)
Loss on ordinary activities before taxation	(499)	(645)
Net assets/(liabilities)	431	(9,728)

Turnover decreased by 24.2% (2017: increase 8.4%) in 2018 compared to prior year as a result of the market challenges facing the P&I market and continued soft rates.

As a regulated entity, the Company’s financial risk management requirement is to maintain net assets covering at least its regulatory capital requirement.

Significant events during the year

On 1 May 2018, the FCA approved the sale of 100% of the share capital of the Company to RSGEL and the transaction completed on 1 June 2018.

On 26 June 2018 and 20 December 2018 the Company received capital contributions from its parent, RSGEL, of £1,000,000 and £400,000 respectively.

Strategic Report (continued)

On 1 June 2018 RSGEL irrevocably waived its entitlement to a dividend in respect of the preference shares issued.

On 28 December 2018 the Company converted the following class shares into ordinary shares:

Class share	Converted nominal no	Converted nominal value
100 A ordinary shares of £0.10 each	10	£1.00
10,000 B ordinary shares of £0.10 each	1,000	£1.00
9,259,032 Preference shares of £1.00 each	9,259,032	£1.00

Principal risks and uncertainty

Credit and Liquidity risk

The Company is a party to the UK Group's debt facility, as described in note 16. The UK Group relies on cash flows from its operations to make debt service payments on the facility as they come due. Drawings on the facility are available as necessary to meet short-term liquidity needs for all UK Group companies. Future requirements and maturity profile are under constant review.

Throughout the period the Company's policy has been to ensure continuity of funding by generating cash flow to finance its operations. The Company has also relied on support of RSGEL.

Regulatory risk

This is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Company is required to comply with the requirements of the Financial Conduct Authority applicable to insurance mediation companies. The directors monitor regulatory developments and assess the impact on the Company's policies.

Operational risk

The operational risk facing the Company is the inability to adequately underwrite on behalf of insurance companies that it represents.

The Company relies on the efficient, uninterrupted, and secure operation of complex information technology systems and networks provided by RSG. Any significant system or network disruption due to a breach in the security of the information technology systems could have a negative impact on the Company's reputation, regulatory compliance status, operations, income and operating results.

Financial currency risk

The Company transacts business in US dollars and other currencies. Transactional exposure arises where revenue is denominated in currencies other than sterling but operating expenses are almost entirely sterling denominated. The Company does not currently hedge the value of future cashflows because of the uncertainty of timing of future cashflows.

Brexit-related risks

The directors have considered the uncertainties about the near-term and longer-term effects of Brexit on the Company.

The potential risks of Brexit affecting the Company is monitored and assessed by the directors on a regular basis. The Company has prepared for a hard Brexit scenario. In this scenario, an EU-based RSG entity will act as the hub for underwriting EEA risks with full backing from the Company's underwriters. The directors therefore does not consider Brexit to impose substantial risk to the Company.

By order of the board


JGM Verhagen
Director

62 Cornhill
1st Floor
London
EC3V 3NH

3 July 2019

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Directors

The directors who served throughout the year and to the date of this report except as noted are as follows:

CEM Dymoke	
JET Hearn	
PJ McKenna	appointed 20 July 2018
JGM Verhagen	appointed 20 July 2018
GMJ Erulin	resigned 1 June 2018
MBW Bruce	resigned 1 June 2018
HC Evans	resigned 1 June 2018
SR Kirk	resigned 1 June 2018
DA Vaughan	resigned 1 June 2018

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Political and charitable contributions

The Company made no political or charitable contributions during the year (2017: £nil).

Dividends

The Company declared dividends in the period of £nil (2017: £nil).

Going Concern

The directors have continued to closely monitor financial performance and cash flow throughout the year. The forecasts and analysis carried out to facilitate these together with current business opportunities and the continued support from its ultimate parent RSG, LLC, have enabled the directors to confirm (using the principles contained within the Financial Reporting Council Paper entitled "Going Concern and Liquidity Risk") that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company receives support from both the immediate parent and the ultimate parent. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Future Developments

Details of future developments can be found in the Strategic Report on page 2 and form part of the Directors' Report.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Directors' Report *(continued)*

Auditor

Following the acquisition of the Company by RSGEL, the decision was made to align the auditors with the wider UK Group and PKF Littlejohn was appointed. The Company's auditor until 1 June 2018, Mazars LLP, resigned on 22 May 2018 confirming, in accordance with Section 519 of Companies Act 2006, that there were no circumstances connected with their resignation that should be brought to the Company's shareholders or creditors.

PKF Littlejohn have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be reappointed as auditor in the absence of an Annual General Meeting.

By order of the board



JGM Verhagen
Director

62 Cornhill
1st Floor
London
EC3V 3NH

3 July 2019

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of RSG Europe Service Centre Limited

Opinion

We have audited the financial statements of RSG Europe Service Centre Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard; and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared are consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.


Paul Goldwin (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

5 July 2019

Statement of Comprehensive Income
for the year ended 31 December 2018

	<i>Notes</i>	2018 £000	2017 £000
Turnover	<i>4</i>	1,594	2,102
Administrative expenses		<u>(2,987)</u>	<u>(2,299)</u>
Operating loss	<i>5</i>	(1,393)	(197)
Other interest receivable and similar income	<i>8</i>	1,086	6
Interest payable and similar charges	<i>9</i>	<u>(192)</u>	<u>(454)</u>
Loss on ordinary activities before taxation		(499)	(645)
Tax on ordinary activities	<i>10</i>	<u>-</u>	<u>(7)</u>
Loss for the financial year		<u>(499)</u>	<u>(652)</u>

The Company has no other comprehensive income recognised during the years ended 31 December 2018 and 2017.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 13 to 21 form an integral part of these financial statements.

Statement of Financial Position

As at the year ended 31 December 2018

	Notes	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	11		4		20
Current assets					
Debtors	12	5,380		8,594	
Cash at bank and in hand	13	3,696		2,186	
		<u>9,076</u>		<u>10,780</u>	
Creditors: amounts falling due within one year	14	<u>(8,649)</u>		<u>(11,269)</u>	
Net current assets / (liabilities)			<u>427</u>		<u>(489)</u>
Debtors: amounts falling due after more than one year	12		-		-
Total assets less current liabilities			<u>431</u>		<u>(469)</u>
Creditors: amounts falling due after more than one year	14		-		(9,259)
Net assets			<u>431</u>		<u>(9,728)</u>
Capital and reserves					
Called up share capital	15		9,260		1
Capital contribution reserve	15		1,400		-
Profit and loss account	15		<u>(10,229)</u>		<u>(9,729)</u>
Shareholder's funds			<u>431</u>		<u>(9,728)</u>

The notes on pages 13 to 21 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 July 2019 and were signed on its behalf by:


JGM Verhagen
Director

Registered number 07681817

Statement of Changes in Equity
for the year ended 31 December 2018

	<i>Notes</i>	Called- up share capital £000	Capital contribution reserve £000	Profit & loss account £000	Total £000
At 31 December 2016		1	-	(9,078)	(9,077)
Loss for the period		-	-	(652)	(652)
At 31 December 2017		1	-	(9,730)	(9,729)
Loss for the period		-	-	(499)	(499)
Share conversion	15	9,259	-	-	9,259
Capital injection	15	-	1,400	-	1,400
At 31 December 2018		9,260	1,400	(10,229)	431

The notes on pages 13 to 21 form an integral part of these financial statements.

1 General information

RSGESCL is a Managing General Agent and a registered Lloyds Broker. The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office and principal place of business is shown on page 1.

2 Summary of significant accounting policies

The following accounting policies have been applied consistently throughout the current and preceding period.

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

As all of the Company's voting rights are controlled within the UK Group headed by RSGEL, the Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements and exemptions have been taken in relation to presentation of a cash-flow statement and intra-group transactions.

The consolidated financial statements of RSGEL, within which this Company is included, can be obtained from 62 Cornhill, 1st Floor, London, EC3V 3NH or Companies House.

Going concern

Reference is made to the Strategic Report above for a description of the Company's business activities, factors likely to affect its future development and performance. The strategic report also describes the liquidity position and borrowing facilities and its financial risk management objectives. The Company receives support from both the immediate parent and the ultimate parent. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

The financial statements have been prepared on a going concern basis.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight-line basis over their expected useful economic lives, as follows:

Office and computer equipment	3 years
Leasehold improvements	over the shorter of the lease term and 20 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. In considering this, the tangible fixed assets are deemed to be impaired if there is an excess of the carrying value over the recoverable amount and are calculated based on the greater of the net selling price and the fair value in use, which is based on discounted cash flows. Impairment is recognised in the profit and loss account in the period in which it occurs. No impairments have been made to fixed assets held by the Company.

Tangible fixed assets are derecognised upon disposal or when no future economic value is expected to arise from the continued use of the asset. Any gain or loss arising on derecognised tangible fixed assets is recognised in the profit and loss account in the period in which it occurs.

2 Summary of significant accounting policies (continued)

Insurance debtors and creditors

Managing agents act as agents for the insurers in writing the insurable risks of the clients introduced to them by insurance brokers and, as such, generally are not liable as principals for amounts arising from such transactions. This typically means that insurance balances do not meet the definition of a financial asset or liability under FRS 102. An exception is under the Marine Insurance Act 1906, which requires that, where a marine policy is effected on behalf of the assured by a broker, the broker is directly responsible to the Insurer for the premium.

Accordingly, insurance debtors and creditor meet the definition of a financial asset/liability and have been recognised in the balance sheet of the Company.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or liabilities with another party under conditions that are potentially unfavourable to the Company.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder's funds are dealt with as appropriations in the reconciliation of movements in shareholder's funds.

Revenue recognition

The Company is an insurance intermediary and earns commission relating to business written on behalf of its insurers. Revenue is recognized on insurance policies underwritten until such policies become unconditional (save for payment of premium) and is invoiced. Where there is an expectation of future servicing requirements, a proportion of income is deferred to cover the associated obligations under the policy contract.

Profit commission arising from the placement of insurance contracts or the exercise of an underwriting agency by the Company is recognised when the right to such profit commission is established through a contract, but only to the extent that a reliable estimate of the amount due can be made. Such estimates are made on a prudent basis that reflects the level of uncertainty involved.

Interest receivable and payable

Interest receivable and payable is recognised in the Statement of Comprehensive Income ("SOCI") on an accruals basis. If the collection of interest is considered doubtful, it is suspended and excluded from interest income in the SOCI.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rate and laws that have been enacted or substantively enacted by the balance sheet date.

Dividend expense

Interim dividend expenses are recognised in the period in which the related dividends are actually paid. Final dividends are recognised when they are approved by the Board.

2 Summary of significant accounting policies (continued)

Foreign currency

Transactions in foreign currencies are remeasured to the functional currency using the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at rates of exchange prevailing at that date. Any gains or losses arising on translation are included in the statement of comprehensive income.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A deferred tax asset is considered recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated without discounting, at the tax rate expected to be effective at the time the timing differences are expected to reverse.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial instruments repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3 Critical accounting judgements and key sources of estimation uncertainty

Preparation of financial statements requires management to make judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

Claims handling and run-off provision

There is a key source of estimation uncertainty with relation to determining future claims handling and run-off expenses. There is uncertainty with regard to the number of claims to be dealt with in future, and the costs associated with handling these claims and the cost to run-off the current book of business. The provision is based on an analysis of the current annual costs of resources and an estimate of claims in the current and previous underwriting years that will be handled in future years.

4 Turnover

The turnover of the Company comprises commissions earned on the writing of insurance contracts, claims handling and profit commissions.

An analysis of the Company's turnover is set out below:

	2018	2017
	£000	£000
Commission income	1,594	2,102

An analysis of the Company's turnover by geographical market is set out below:

	2018	2017
	£000	£000
Europe	907	1,046
Asia	357	657
Rest of the World	250	227
North America	80	172
	1,594	2,102

5 Operating loss

Loss on ordinary activity before tax is stated after charging:

	2018	2017
	£000	£000
Amounts received by the auditors and associates in respect of:		
Audit of the Company's financial statements	30	8
Other services	9	-
Change in provision for bad debt	(3)	-
Foreign exchange gains	(17)	(48)
Depreciation and other amounts written-off on tangible fixed assets	16	16

6 Remuneration of directors

	2018 £000	2017 £000
<i>Directors' remuneration:</i>		
Emoluments	640	557
Pension	28	37
	<u>668</u>	<u>594</u>

The emoluments of the highest paid director were £0.2m (2017: £0.2m).

7 Staff numbers and costs

The average number of persons employed by the Company, inclusive of the directors, during the period was 17 (2017: 20). The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages, salaries and bonus	1,331	1,226
Social security costs	148	140
Pension contributions	82	113
Healthcare	7	-
Total	<u>1,568</u>	<u>1,479</u>

8 Other interest receivable and similar income

	2018 £000	2017 £000
Interest receivable on bank deposits	-	6
Other income	1,086	-
	<u>1,086</u>	<u>6</u>

Other income relates to the de-recognition of an intercompany loan that existed between the Company and its previous owners.

9 Interest payable and similar charges

The Company recorded an interest payable of £0.2m in 2018 (2017: £0.5m).

10 Taxation

The current tax charge for the period is lower than (2017: *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

	2018 £000	2017 £000
Analysis of tax charge in the year		
UK Corporation Tax rate 19.00%	-	-
Group relief	-	(7)
Adjustment to tax charge in respect of previous periods	-	-
Tax on loss on ordinary activities	-	(7)
Reconciliation of tax charge		
Profit on ordinary activities before tax	(499)	(645)
Current tax at 19.00% (2017: 19.25%)	(95)	(124)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	42	95
Income not taxable for tax purpose	(206)	-
Movement in tax loss carried forward	259	29
Group / consortium relief recoverable at non-standard rates	-	7
Total	-	7

As at 31 December 2018, the Company has an unrecognised deferred tax asset of £1.3m (2017: £1.1m). The unrecognised asset has mainly arisen on losses carried forward by the Company calculated at a tax rate of 19% (2017: 17%).

With effect from 1 April 2017, the UK corporation tax rate was reduced from 20% to 19%.

At the Budget 2015, the government announced legislation to reduce the corporation tax main rate to 18% for the year starting 1 April 2020. Further legislation was introduced in the Finance Bill 2016 to reduce the main rate of corporation tax to 17% from 1 April 2020 (this supersedes the 18% rate).

11 Tangible fixed assets

	Furniture & Fittings £000
<i>Cost</i>	
At 31 December 2017	52
Additions	-
As 31 December 2018	52
<i>Depreciation</i>	
At 31 December 2017	32
Charge for the period	16
As 31 December 2018	48
<i>Net book value</i>	
At 31 December 2017	20
As 31 December 2018	4

12 Debtors

	2018 £000	2017 £000
Debtors falling due within one year		
Amounts due from parent	188	-
Amounts due from group undertakings	269	-
Insurance debtors	4,908	8,206
Other debtors	8	166
Prepayments and accrued income	7	222
Total debtors falling due within one year	5,380	8,594

13 Cash at bank and in hand

	2018 £000	2017 £000
Insurance cash balances	1,726	2,044
Unrestricted cash balances	1,970	142
	3,696	2,186

14 Creditors

	2018 £000	2017 £000
Creditors falling due within one year		
Amounts owed to group undertakings	1,698	417
Insurance creditors	6,485	10,018
Trade creditors	15	-
Other creditors	333	338
Other taxation and social security	55	48
Accruals and deferred income	63	448
	8,649	11,269
Creditors falling due within one year		
Redeemable preference shares	-	9,259
	8,649	20,528

15 Called up share capital and reserves

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
100 Ordinary A shares of £0.10	-	10
10,000 Ordinary B shares of £0.10	-	1,000
9,260,042 Ordinary shares of £1.00	9,260,042	-
	9,260,042	1,010

The Company has one class of ordinary shares which carry full voting and economic rights at 31 December 2018.

On 28 December 2018 the A ordinary shares, B ordinary shares and preference shares were converted to one class of ordinary shares.

The Company's other reserves are as follows:

- The profit and loss reserve represents cumulative profits or losses, net of dividends and other adjustments.
- The capital contribution reserve represents the amount of capital contributions from the immediate parent. During the year, the Company received a capital contribution of £1.4m from RSGEL. This contribution was used as working capital. The capital contribution cannot be repaid until it has been converted into distributable capital.

16 Commitments and guarantee

The Company's ultimate parent undertaking RSG entered into a new group wide banking facility on 29 August 2018 which replaced the existing facility. This facility is provided by a syndicate of lenders with the borrowers being RSG and RSGEL. As part of this facility the Company act as guarantor to the borrowers. The balance outstanding on this facility at RSGEL as at 31 December 2018 was £31.0m (2017: £28.0m).

17 Related party transactions

The Company has availed itself of the exemption available under Section 33 of FRS 102 not to disclose transactions with Companies in its Group.

18 Ultimate parent company

The Company's immediate parent is RSGEL, a company incorporated in the United Kingdom and registered in England and Wales.

The smallest group in which the results of the Company are consolidated is that headed by RSGEL, incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements of this group are available to the public and may be obtained from its registered offices at 62 Cornhill, 1st Floor, London EC3V 3NH.

The ultimate parent company is Ryan Specialty Group, LLC, a company incorporated in Delaware in the United States of America with main office at 180 North Stetson Avenue Suite 4600, Chicago, Illinois, 60601.

19 Post balance sheet events

On 24 January 2019 the Company changed its name from Lodestar Marine Limited to RSG Europe Service Centre Limited.